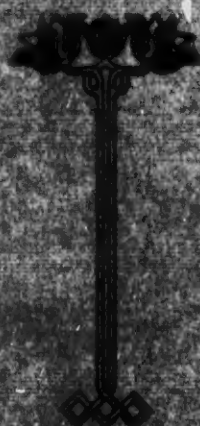


THE SUGAR QUESTION



ADDRESS
BY

R. H. HARRIS, M. C.

Before

The Royal Commission on Trade
Relations Between Canada
and The British West
Indies.

HALIFAX, NOVA SCOTIA
GEORGE AND CO.

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Harris, R. E.

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The Sugar Question.

The Full Text of the Address by R. E. Harris, K. C., Before the Royal Commission on Trade Relations Between Canada and the West Indies.

Figures and Statements That Prove That a Combination Existed in 1908/9 for the Purpose of Putting Up Price of Sugar to Canadian Refiners.

The Disadvantages the Canadian Refiner Labors Under as Compared with Refiners in the United States and Great Britain; The Latter Enabled to Manufacture and Send Sugar to Canada and Undersell the Home-made Goods.

The Act of 1909 Saved the Home Industry from Extinction.

THE following is the full text of the address made by R. E. Harris, K. C., one of the directors of the Acadia Sugar Refining Company, Limited, to the Royal Commission on trade relations between Canada and the West Indies, at the meeting of the Commission at Halifax, N. S., October 1st, 1909:—

MR. CHAIRMAN AND GENTLEMEN,—

I am appearing before you as one of the directors of the Acadia Sugar Refining Company of this city, for the purpose of giving expression to the opinions and views of the members of that Board upon the question of a trade agreement between the British West Indies and Canada.

If this commission had met to consider this question a few years ago, and the task of addressing you had been com-

mitted to me, I have no doubt that my remarks would have been of a different nature from those I feel obliged to address to you on the present occasion.

COMPELLED ENTIRE CHANGE OF VIEWS.

At first blush it does strike one that it would be for the mutual benefit of the people of Canada, the sugar planters of the West Indies and the Canadian sugar refiners as well, that raw sugar should be imported into Canada free, or at a reduced rate of duty, and that is the view of the question which I think I would have taken had the matter come up for consideration some time ago.

The experience, however, of the Acadia Sugar Refining Company has been of such a nature that the directors feel themselves compelled to entirely change their views upon this question.

With your permission I will relate some of the facts which have led to this result:

Before doing so, I wish to state clearly what the views of the directors are.

Let me make it perfectly plain, that we are not opposed to a reduction in the duty upon raw sugar from the British West Indies, nor are we opposed to the free importation of these sugars, so long as the treaty leaves in force the privilege which the refiners now have of importing not less than twenty per cent. of their requirements from foreign countries at the minimum rate of duty adopted under any agreement with the West Indies. Without this condition we are convinced that reciprocity means the extinction of the business of sugar refining in Canada.

Let me remind you that under the law of Canada the duty on raw sugar of 96 polarization under the general tariff, is 83½ cents per hundred pounds.

WOULD MAKE THE REFINERS HELPLESS.

By what is known as the "preference tariff," British grown raw sugar pays only a duty of 52½ cents per hundred pounds, a difference of 31 cents in favor of the British grown sugar.

You, of course, are quite aware also of the fact that practically the only British grown sugar which is imported into Eastern Canada under the "preference tariff" is sugar from the British West Indies; and for many years past we have purchased all the raw sugar used by us, except one cargo, from that source.

It will at once be seen that if the producers of raw sugar in the British West Indies co-operate and say, "We will not sell sugar to Canadian refiners unless we get from them the market price of sugar, plus the whole of the thirty-one cents," that the refiners are helpless. In that case the benefits of the "preference" will inure solely to the benefit of the planters in the British West Indies.

The result, so far as Canada is concerned, will be the loss of duty, without any advantage whatever and for all practical purposes the sugar might just as well be imported from some foreign country and the full duty of 83½ cents paid on it. The only difference in that case would be that the country would be better off, because it would have the higher rate of duty.

That such a combination of sugar planters existed in 1908 and early in 1909, and that they were able by this combination to force the refiners in Eastern Canada at times to pay them the market price of sugar, plus the whole difference of 31 cents, and sometimes even more than the thirty-one cents, admits of no doubt.

BENEFICIAL LEGISLATION.

Fortunately, the government of Canada, in 1909, passed an Act which permitted refiners to import foreign grown raw sugar under the "preference tariff" to the extent of twenty per cent. of their output.

The result of this legislation has been most beneficial.

The British West India planters at once saw that the refiners of Canada would avail themselves of the privilege given them by this legislation, unless the planters were more reasonable in their demands.

The result has been that the company which I represent has since the passing of this Act only had to invoke the privilege conferred by it of importing foreign sugar upon one occasion.

If that Act had not been passed, there is no doubt that the conditions which existed in 1908 and early in 1909, would still exist, and the refiners would still be obliged to pay practically the whole, or at times even more than the whole, of the preference to the West India producers.

If, therefore, the price to be paid by Canada for a reciprocal trade agreement with the British West Indies is a return to the conditions which prevailed before the passing of this Act, then I would submit on behalf of the refiners, that sugar should not be included in any treaty which is made.

It is absolutely certain, that if this price has to be paid for a treaty,—if we have to return to the conditions which existed in 1908 and early in 1909, sugar refining in Canada will become a thing of the past.

Our sugar will of necessity be refined for us in Greenock and Liverpool.

What that means to Canada, and the trade between Canada and the British West Indies, which depends so largely upon the importation of raw sugar, the members of the Commission can easily see.

A SERRIOT'S POSITION.

The export trade of Canada to the British West Indies cannot be carried on without return freights, and these freights to a large extent must be raw sugar. If the raw sugar cannot be imported upon terms which will permit the refining industry to live, then it will not be imported at all, and the large export trade from Canada to the British West Indies must largely disappear, or if carried on at all, be carried on through American ports.

I propose to show you later on that at the present time the refiner in Canada is absolutely without any protection except that which he can get incidently from the "preference tariff."

Now, if the refiners are to lose all benefit of the preference, as the price of a reciprocity treaty with the British West Indies, it will be seen that the position is one of a most serious nature.

It is because of our experience in 1908 and early in 1909, that I am now before you to oppose the inclusion of sugar in any reciprocity or trade treaty, without the conditions to which I have referred.

A COMBINE OF PLANTERS.

I have stated that a combine existed at that time, and I understand its existence is admitted by the West India committee, the mouthpiece of the planters. It is true that this committee rather object to the word "combine." They prefer to call it "co-operation," but no sensible man can be

deceived by such hair-splitting. I have no desire to exaggerate or over-state what the West India committee say on this question. I therefore propose to give their exact words from their official publication.

I hold in my hand the West India committee's circular under date May 11th, 1909, in which appears an article by the committee on "The West Indies and Canada," dealing with the budget speech of the Hon. W. S. Fielding, and with his remarks made at the time of the introduction of the legislation of 1909, to which I have referred.

In that letter the West India committee say:—

"We may mention, however, that Lord Crewe has conveyed to the Governor-general of Canada, by cable, the assurance of the West India committee that no combination exists, or has existed, among the West India sugar producers, although for a short period last year two or three Demerara firms co-operated to the extent of notifying to each other contemplated sales and prices, and why should they not? but that this was in no way a combination against the refiners."

HARD SUGAR COMES FROM DEMERARA.

Now it must be borne in mind, in considering this admission of the West India committee, that most of the hard sugar produced in the British West Indies comes from Demerara, and that a few large companies there produce the bulk of the sugar.

In former years, these sugars were sold by a number of brokers, but in 1908 and early in 1909, the Acadia Refinery was unable to buy these sugars except through one firm of brokers in London, Czarnikow. We can speak positively on this point, because one of our Glasgow directors went to London and interviewed the West India merchants there for the

purpose of buying sugar, and he found that nothing could be purchased, except through this one firm of brokers.

We are credibly informed, that in at least one case, Demerara sugars were sold to New York at a lower price than they were offered to us, with a condition attached that they were not to be resold to Canada.

We, therefore, have the few people from whom we can buy our sugars, placing all their sugars in the hands of one firm of brokers in London, and admitting that they "co-operated" to the extent of notifying each other of contemplated sales and prices.

We can fancy Mr. Czarnikow, as the agent of Estate A., notifying Mr. Czarnikow as the agent of Estate B. or C., of the price which he is asking the Canadian refiner for sugar. Do we need a magnifying glass to see what it really means? Is it not childish to pretend, as the West India committee pretend, that there was no combination against the refiners of Canada?

Why were the planters placing all their sugars in the hands of one broker?

Why were they "co-operating to the extent of notifying each other," through this broker, "of contemplated sales and prices"?

Why were they refusing to sell sugars to Canadian refiners, except at a price which at times included the whole preference duty?

Why were they selling to the United States with a condition that the sugar was not to be resold in Canada?

CALL IT "CO-OPERATION" OR "COMBINATION."

I don't much care whether you call it "co-operation" or "combination," or whether you apply some other term to

it. We know what the result was. That result was beyond all question or doubt: The planters were able by the system adopted by them to force from the refiners of Canada at times the whole of the preference duty, and sometimes more.

They did it successfully and they would be doing it to-day, but for the legislation to which I have referred.

Now, what is the answer of the planter?

He admits that he "co-operated," but he says there was a combination of the refiners against the planters to keep down the price of sugar. At least, I see this is what Sir Aemilius Irving is reported to have said at Toronto, and I note that Mr. Sandbach Parker, in a memorandum submitted by him, states that there was co-operative buying on the part of the Canadian refiners.

In a statement already filed with you, we have given this an emphatic denial, and I want to repeat that denial at the present time.

There is not now, and there never has been any such agreement.

I have before me a statement of all the direct purchases of sugar made by the Acadia Sugar Refining Company from September 18th, 1907, down to August 12th, 1909, and from this I find that on September 17th, 1908, the price of British West India crystals of 96 polarization was C. & F., Halifax, \$2.30 per hundred pounds.

I find that by April 13th, 1909, the price of these same crystals had increased to \$2.62½, C. & F., Halifax, an advance of 32½ cents per hundred pounds.

MARKET PRICES COMPARED.

But you will naturally ask me whether the market price of sugar had advanced in the meantime? The facts with

regard to that are these: The New York price on September 17th, 1908, was \$3.95, duty paid, equivalent to \$2.27, C. & F., Halifax. The New York price on the 13th day of April, 1909, was \$3.95½, duty paid, equivalent to \$2.27½ C. & F., Halifax, so that the American price of sugar was one-half point higher on April 13th than it was on September 17th, while the British West India planter had succeeded in raising the price to us not less than 32½ cents!

Now let us turn to the British market and see how the price compared on the two days.

We find that on September 17th, 1908, sugars of 96 polarization were quoted in London and Greenock at 10/9 floating landing terms, equivalent to \$2.19, C. & F., Halifax. On April 13th, 1909, these same sugars were quoted at 11¼½ floating landing terms, Greenock, and London, equivalent to \$2.35 C. & F., Halifax. So that these sugars had advanced in the interval 7½d., or fourteen cents in the British market.

This statement shows that, on September 17th, 1908, we were paying the West India planters \$2.30, as against the Greenock equivalent of \$2.19, or the New York equivalent of \$2.27; that is, we were paying the British West India planters eleven cents more than the British price and three cents more than the American equivalent.

It also shows that by April 13th, 1909, the "co-operation" of our West India friends had resulted in an advance of thirty-two and one-half cents, while the advance in the market in the meantime had only been fourteen cents in England, and in the United States only one-half cent.

PRICES AT HALIFAX, GREENOCK AND NEW YORK.

On April 13th, 1909, we were being charged \$2.62½ C. & F., Halifax, for the same sugars which the West India

planters were selling to our Greenock competitors on the basis of \$2.32, C. & F., Halifax, and the New York equivalent of which was \$2.27½. We were paying 29½ cents more than the Greenock value, and thirty-five cents more than the New York value.

It will be noted that I give the prices only on the dates of our actual purchases. Other dates could be selected which would show a much larger difference between the price they demanded from us and the equivalent Greenock and New York price.

In order that the matter may be perfectly clear, my statement gives in one column the price we paid cost and freight Halifax; in another, the Greenock value floating landing terms; and in another, I have put down the equivalent of this price cost and freight Halifax, so as to give you the comparison between the price which we paid and the Greenock price.

I have put down in another column the New York value, duty paid; and in another I have given the equivalent cost and freight Halifax. With this statement you can compare on the date of each purchase, the Halifax price, the equivalent Greenock price and the equivalent New York price.

This table shews you on the dates of each of these purchases, the premium over and above the Greenock, and over and above the New York price which we were compelled to pay for the privilege of buying sugars from the British West India planters.

These figures absolutely prove what "co-operation" has done in the past. Knowing that the Canadian refiners could not buy and import sugar under the preference tariff except through the British West Indies, they "co-operated" so successfully that they exacted from us as much as forty one

cents on one occasion over the New York price, or ten cents more than the whole preference, and on the 13th April, 1909, they had succeeded in getting the price twenty-nine and a-half cents above the equivalent price at Greenock, and thirty-five cents above the equivalent price at New York.

THE EFFECT OF NEW LEGISLATION.

Now let us see what has happened since this legislation was enacted.

My statement also shews the direct purchases of sugar made by the Acadia Sugar Refining Company since that legislation was passed. It will be seen from this that the producer very soon after the passing of that act reduced his price fifteen cents; and a few days later $2\frac{1}{2}$ cents more.

On May 7th, 1909, shortly after the new law came into force, we purchased a cargo of San Domingo crystals of 96 polarization. The cargo was at Delaware Breakwater and cost us \$2.28, C. I. F., Halifax, landed weights. At that time the New York market was equal to \$2.18, C. I. F., Halifax, so that we had to pay ten cents additional to bring the sugar to Halifax. This cargo was landed under the new law at the same rate of duty as we would have paid on British West India sugar. The price our West India friends were asking us at that time was \$2.47 $\frac{1}{2}$, C. & F., Halifax, equal to \$2.52 $\frac{1}{2}$, C. I. F., Halifax, landed weights, which were the San Domingo terms, so that our San Domingo cargo cost us, for exactly the same sugar, $24\frac{1}{2}$ cents per hundred pounds less than we could buy the British West India sugar.

On April 13th, 1909, beet was quoted at $10\frac{1}{4}\frac{1}{2}$ and on May 7th, which was the date we purchased the San Domingo sugar, beet was quoted at $10\frac{1}{4}\frac{1}{2}$. Our friends were asking us fifteen cents less, although the price of beet was the same on both dates, but we were still able to buy and import the

San Domingo sugar at $24\frac{1}{2}$ c. less than they were willing to sell us their sugar.

HOW IT AFFECTS CANADIAN REFINERS.

Now let me refer to another phase of this question, and shew how the matter works out for the Canadian refiner.

The duty on granulated sugar from Great Britain is 83 cents per hundred pounds; the duty on raw sugar of 96 polarization under the general tariff is $83\frac{1}{2}$ cents. Now, as it takes at least 107 pounds of raw sugar of 96 polarization to produce 100 pounds of granulated sugar, it follows that on sufficient raw sugar to produce a hundred pounds of granulated, the Canadian refiner would, if he imported foreign sugar, pay 89.34 cents duty; that is to say, the refiner of Greenock is given under the general tariff an advantage of 6.34 cents per hundred pounds.

The duty on raw sugar of 96 polarization under the "preferential tariff" is $52\frac{1}{2}$ cents per hundred pounds. On 107 pounds, the quantity which is necessary to produce a hundred pounds of granulated, the duty would be 56.17 cents.

As I have said, the duty on granulated sugar from Great Britain is 83 cents per hundred pounds. Therefore, the greatest protection which the Canadian refiner can under any circumstances have as against the English or Scotch refiner, is the difference between 56.17 cents and 83 cents, or 26.83 cents, and they have this only if they are able to buy their raw sugar at the market price, without the addition of any part of the preference.

Whatever portion of the Canadian preference therefore is paid to the West India planter, must be deducted from this protection of 26.83 cents per hundred pounds. It follows, therefore, that if the West India planter is able to

exact from the Canadian refiners the full preference duty, the protection of the refiners in Canada is absolutely wiped out, and more than wiped out!

CONDITIONS IN CANADA AND BRITAIN.

But this is not all.

The conditions of refining in Canada are different from what they are in Great Britain. There the refiner has a very large market for his product and he is able to keep his refinery running throughout the year. He can manufacture continuously to his full capacity, with the result that he is undoubtedly able to refine at a cheaper rate than in Canada.

Not only has he the advantage of which I have spoken, but the Greenock refiner was able to start his refinery with less capital expenditure. He had no duty to pay on his machinery. He has no duty to pay on the materials used in his business. His coal is cheaper and labor conditions are very much in his favor.

The result is, that the West India planter who is selling his sugars at Greenock at a much lower price than he is willing to sell them to Canada, enables the Greenock refiner, with all the conditions in his favor to which I have referred, to manufacture granulated sugar and send it to Canada and undersell the Canadian refiner. The Greenock refiner dumps his surplus on Canada, and this surplus he can afford to sell cheap, because it has cost him little in one sense to manufacture. The position of the Canadian refiner under those circumstances is not a happy one.

I think I have, in the figures and statements which I have given you, proved conclusively—

(a) That a combination did exist in 1908 and early in 1909, for the purpose of putting up the price of sugar to the Canadian refiner;

(b) That the effect of that combination was to compel the Canadian refiner at times to pay the producer the whole and sometimes more than the whole of the preference.

I think it is safe to assume that the "co-operation" which resulted so satisfactorily to the British West India planters would have been continued, but for the legislation of 1909.

CANADIAN INDUSTRY SAVED BY 1909 ACT.

It is clear that without the protection given by the Act of 1909, the West India producer has it in his power to absolutely kill the refining industry in Canada; and I think I have given a sufficient reason for the attitude which the directors of the Acadia Sugar Refining Company have assumed at this time, when they say that they are absolutely opposed to any trade arrangement with the West Indies, the price of which is the repeal of the privileges granted by the Act of 1909.

In considering what I have said, I would ask you also to take into consideration the memorandum already handed to you by the company dealing more particularly with the statement of Mr. Parker. The two are to be read together as defining the position taken by our company.

There is just one other question to which I would like to refer. It is a question in which the West India producer and ourselves are equally interested. I refer to the uncertainty which exists at the present time as to whether or not all the British refined sugar which is brought into Canada under the "preference tariff" is the product of sugar entitled to preferential entry.

In the case of sugar exported from Great Britain to convention countries, every care is taken by the customs authorities in Britain to follow the raw sugar imported from convention countries from the time of its being landed, through

the various stages, until it is exported in the shape of refined sugar. The object of this is to enable these officials to certify that the sugar exported is actually the product of the convention countries.

In the case of British grown sugar taken into Great Britain to be refined and exported to Canada under the "preference tariff," none of these safeguards are applied, and we are advised that sugar which is not entitled to preferential entry in Canada is in consequence frequently brought in under that tariff.

What we ask is, that the same rules and the same safeguards which are applied to the convention sugar intended for export to convention countries, should be applied in the case of sugars intended to be exported to Canada. This is a matter which can be easily dealt with, and it is equally in the interest of the West India producer and the refiner of Canada, that the proper regulations should be adopted.



